

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:

01 - 23

2. STATE

NC

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

July 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.201

7. FEDERAL BUDGET IMPACT:

a. FFY 02 \$ -0-

b. FFY 03 \$ (5,102,286)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D, Addendum ICF-MR
Pages 6 and 11

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-D, Addendum ICF-MR
Pages 6 and 11

10. SUBJECT OF AMENDMENT:

ICF-MR

11. GOVERNOR'S REVIEW (Check One):

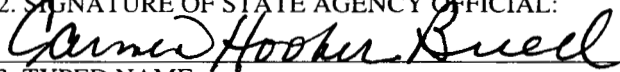
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Not Required

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

Carmen Hooker Buell

14. TITLE:

Secretary

15. DATE SUBMITTED:

September 25, 2001

16. RETURN TO:

Office of the Secretary
Department of Health and Human Services
2001 Mail Service Center
Raleigh, North Carolina 27699-2001

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

September 28, 2001

18. DATE APPROVED:

December 26, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2001

21. TYPED NAME:

Eugene A. Grasser

20. SIGNATURE OF REGIONAL OFFICIAL:



22. TITLE: Associate Regional Administrator

Division of Medicaid and State Operations

23. REMARKS:

RATE SETTING METHODS FOR NON-STATE FACILITIES

.0304 RATE SETTING METHOD FOR NON-STATE FACILITIES

(a) A prospective rate shall be determined annually for each non-state facility to be effective for dates of service for a 12 month rate period beginning each July 1. The prospective rate shall be paid to the provider for every Medicaid eligible day during the applicable rate year. The prospective rate may be determined after the effective date and paid retroactively to that date. The prospective rate is based on the base year period to be selected by the state. The prospective rate may be changed due to a rate appeal under Section .0308 of this State Plan or facility reclassification under Paragraph (b) of this Section. Each non-state facility, except those facilities where Paragraph (v) of this Section applies, shall be classified into one of the following groups:

- (1) Group 1-Facilities with 32 beds or less.
- (2) Group 2-Facilities with more than 32 beds.
- (3) Group 3-Facilities with medically fragile clients. For rate reimbursement purposes under this Section medically fragile clients are defined as any individual with complex medical problems who have chronic debilitating diseases or conditions of one or more physiological or organ systems which generally make them dependent upon 24-hr a day medical/nursing/health supervision or intervention.
- (4) Facilities in group 1 or 2 in Subparagraph (a)(1) or (2) of this Section shall be further classified in accordance to the level of disability of the facility's clients, as measured by the Developmental Disabilities Profile (DDP) assessment instrument. A summary of the levels of disability is shown in the following chart:

FACILITY DDP SCORE

Level	Low	High
1	200.00	300.00
2	125.00	199.99
3	100.00	124.99
4	75.00	99.99
5	50.00	74.99

- (b) Facilities shall be reclassified into appropriate groups as defined in Paragraph (a) of this Section.
- (1) When a facility is reclassified, the rate shall be adjusted retroactively back to the date of the event that caused the reclassification. This adjustment shall give full consideration to any reclassification based on the change in facts or circumstances during the year. Overpayments related to this retroactive rate adjustments shall be repaid to the Medicaid program. Underpayments related to this retroactive rate adjustment shall be paid to the provider.

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- (i) Labor. The percentage change for labor costs is based on the projected average hourly wage of North Carolina service workers. Salaries for all personnel shall be limited to levels of comparable positions in state owned facilities or levels specified by the Division of Medical Assistance.
 - (ii) Nonlabor. The percentage change for nonlabor costs is based on the projected annual change in the implicit price deflator for the Gross National Product as provided by the North Carolina Office of State Budget and Management.
 - (iii) Fixed. No price level adjustment shall be made for this category.
 - (D) The weights computed in Part (k)(1)(B) of this Section shall be multiplied by the rates computed in Part (k)(1)(C) of this Section. These weighted rates shall be added to obtain the composite inflation rate to be applied to both the direct and indirect rates.
 - (2) If necessary, the Division of Medical Assistance shall adjust the annual inflation factor or rates in order to prevent payment rates from exceeding upper payment limits established by Federal Regulations. Effective July 1, 2001, the price level adjustment factors calculated in (c) (4) (E) of this Section shall not exceed that approved by the North Carolina General Assembly.
 - (1) Effective July 1, 1995, any rate reductions resulting from the State Plan Amendment 95-03 shall be implemented based on the following deferral methodology:
 - (1) Rates shall be reduced for the excess of current rates over base year costs plus inflation.
 - (2) Rates shall be reduced a maximum of 50 percent of the fiscal 1996 inflation rate for the excess of actual costs over applicable cost limits. This reduction shall result in the facility receiving at a minimum 50 percent of the 1996 inflation rate. Any excess reduction shall be carried forward to future years.
 - (3) Total reduction in future years related to the excess reduction carried forward from Subparagraph (1)(2) of this Section, shall not exceed the annual rate of inflation. This reduction shall result in the facility receiving at minimum the rate established in Paragraph (1)(2) of this Section. Any excess reduction shall be carried forward to future years, until the established rate equals that generated by Paragraphs (f),(g), and (k) of this Section.
 - (4) Rates calculated based on Subparagraphs (1)(2) and (3) of this Section shall be cost settled based on the provisions of Subparagraphs (j)(1) of this Section until the fiscal year that the facility receives full price level increase under Paragraph (k) of this Section.
 - (A) A provider may make an irrevocable election to cost settle under the provisions of Paragraphs (h) and (i) of this Section during the deferral period.
 - (B) Once the rates calculated based on Subparagraphs (1)(2) and (3) of this Section reach the fiscal year that the facility receives the full price level increase under Paragraph (k), then said fiscal year's rates shall be cost settled based on Paragraphs (h) and (i) of this Section.
 - (C) Chain providers are allowed to file combined cost reports, for cost settlement purposes, for facilities that use the same cost settlement methodology and have the same uniform rate.
 - (D) A provider may request from the Division of Medical Assistance permission to continue cost settlement under Subparagraph (j)(1) of this Section after the deferral period expires. Said request shall be made each year, 30 days prior to the